

PRIME MINISTER

16 July 1985

CHANNEL FIXED LINK

We agree with four of Nicholas Ridley's five proposals.  
The scorecard is as follows:

1. Juxtaposition of Frontier Controls

Agreed. Let's back the arrangements which will minimise the inconvenience and delay to the 20-40 million passengers who will use the Link each year. The associated problems can all be overcome at a cost. At most, that will be small in relation to the benefits, and hence the potential to generate more income.

2. Security

Agreed. We should not prescribe specific minimum standards of security check at this stage. A 10% level of checking (down to the contents of individual suitcases) could be a serious handicap for EuroRoute. Technology in the realm of security checking is advancing rapidly (eg the new British Aerospace equipment). But by all means informally exchange ideas and information with the promoters now in the hope of stimulating the search for efficient, non-disruptive security measures.

It is in the operator's commercial interests to protect a valuable asset and allay customers' concerns over security risks. At least in part, the additional cost of security

checking is likely to be offset by lower insurance premia. It is premature to commit the Government to bearing part of the cost.

3. Duty Free

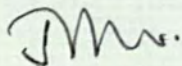
Yes. Both Governments want the Link to succeed on a free-market basis, so it is right not to discriminate in favour of the ferries by withholding duty free from the Link.

4. Commercial Freedom - Non-Intervention in Tariffs

Doubtful. The basic principle is commercial freedom within the general pricing policies of the UK and France. The Governments should not discriminate within the transport sector - ie between Link, ferries and air. Why then give the Link the privileged status of permanent exemption from general price control measures (conferred by international treaty)? The financeability argument looks weak.

5. Compensation for Political Cancellation

Agreed. There is no hurry. We need to see the terms of the concession in the round before devising suitable compensation terms.



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